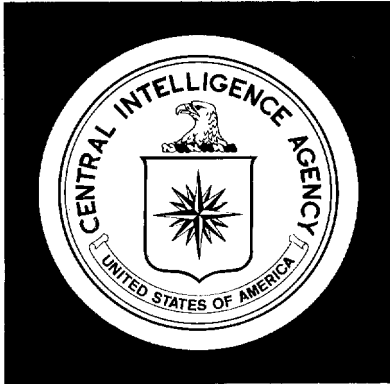


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GREECE: Prime Minister Papadopoulos apparently intends to follow up his decree abolishing the monarchy with a broad campaign to discredit opponents at home and abroad.

In his special broadcast yesterday, Papadopoulos castigated King Constantine for his alleged collaboration with the opposition. He professed that his government had not initially wanted to alter the form of government but that the monarchy had brought the change upon itself;

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The Defense Ministry issued a statement following Papadopoulos' speech claiming to have proof of the King's and former prime minister Karamanlis' involvement in last week's abortive naval plot to overthrow the regime.

Papadopoulos, who declared himself "provisional president," promised to release to the public within a month appropriate amendments to the constitution and to hold a plebiscite on them within two months. He claimed that he will then set up machinery for a more thorough constitutional revision and conduct general elections by the end of 1974.

By acting against the monarchy Papadopoulos probably has bought time in which to deal with some of his more restive colleagues. Although some key army leaders have been wavering in their support of the Prime Minister, they are certain to back him in this latest power move. The army leaders, whose continued backing Papadopoulos needs, are united in their opposition to the King. Nevertheless, the changes advanced so far are largely irrelevant to the major problems with which the government has been wrestling, such as corruption, inefficiency, and student unrest. In the longer run, Papadopoulos could find himself in deeper trouble.

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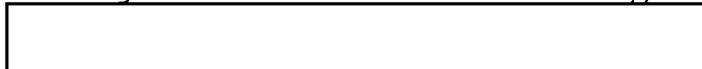
MEXICO: President Echeverria's choice of a new finance minister is a further step in the trend toward more economic nationalism and stronger emphasis on social development.

Jose Lopez Portillo, a close associate of the nationalistic Secretary of National Properties Horacio Flores de la Pena, this week replaced Hugo Margain, a fiscal moderate and an advocate of national development through private investment. Flores de la Pena has been one of the chief administration exponents of Echeverria's new restrictions on foreign investment and a particularly harsh critic of the private sector. His ability to influence Echeverria with his ideas on greater government control over the private sector and foreign investment and more attention to social development, such as the redistribution of wealth, has been evident for some time.

Flores de la Pena has built a formidable team of supporters around him--a prerequisite for political power in Mexico.



Margain's departure and his replacement by an apparent political disciple of Flores de la Pena will be viewed by the financial community as an indication of the rising importance of those in the administration who favor more government involvement in the economy. Since the new finance secretary will have a major role in investment policy, the change will also increase the concerns of potential investors over how the recently promulgated laws on foreign investment and technology will be implemented.



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SOUTH ASIA: The most recent Pakistani note to India diminishes the prospects for progress toward an early settlement.

India and Bangladesh proposed a package deal in April in which almost all of the Pakistani prisoners would be returned to Islamabad, Bengalees living in Pakistan would go to Bangladesh, and Biharis in Bangladesh would go to Pakistan. Following a series of diplomatic exchanges, Islamabad told the Indians in mid-May that Pakistan would not commit itself in advance to accept the total package but was willing to discuss the individual elements of the proposal.

The Pakistanis further toughened their position on 27 May. According to the Swiss ambassador, who transmitted the latest Pakistani aide memoire, Pakistan now maintains that the Biharis and Bengalees are issues only Pakistan and Bangladesh can discuss, and the sole matter between India and Pakistan is the prisoners. A senior Indian official has told the US Embassy that India is confused over the varying signals that it is receiving from Islamabad, but suspects that Pakistan does not intend to begin talks.

The reason for the change in the Pakistani stance is unclear. President Bhutto does have a heightened sense of confidence due to recent domestic and foreign policy successes. He may be under pressure, from the military among others, to take a hard line with India as the prospect of war crimes trials in Dacca becomes more real. He may also believe that domestic problems in India and international criticism of India's retention of the prisoners make Pakistan's negotiating position stronger.

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BANGLADESH: The murder of a ruling Awami League member of parliament on 30 May could lead to a crack-down on party dissidents and opposition groups.

Although a number of less important Awami League politicians were murdered in the past month, the government did not act, other than to issue vague warnings to "miscreants and anti-state elements." Opposition elements are still too weak to be a serious threat to the government, but widespread criticism of the prime minister's inability to deal effectively with the general lawlessness and corruption, high prices, shortages of essential goods, and the attacks of increasingly vocal opposition parties and Awami League dissidents have somewhat eroded his position.

In an effort to divert attention from Bangladesh's domestic problems, spokesmen for the prime minister are now alleging that Sino-Pakistani--and in some cases US--conspiracies are responsible for the country's ills. Mujibur Rahman may be tempted to use the latest killing as an excuse for quelling political opposition, and he could undertake dramatic reprisal action. Even without such action, the political scene will probably become more turbulent in the coming weeks.

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INDIA-BANGLADESH: New Delhi has agreed to provide the equivalent of \$91 million in new economic assistance to Bangladesh during the year that ends in March 1974, mainly to finance imports from India. No new hard currency loans or food aid have been promised. Almost half of India's aid to Bangladesh last year was food relief, but severe food shortages in India preclude any new commitments. The terms of the new assistance are much harder than last year's. Only six percent is in grants, compared to 81 percent of earlier aid, and the new loans carry higher interest rates and shorter repayment schedules.

Until now, India has been covering most of its massive trade surplus with Bangladesh by grants and long-term credits. Since December 1971, New Delhi's assistance to Dacca has totaled \$246 million. New Delhi had hoped to phase out aid to Bangladesh and establish a bilateral trade relationship on commercial terms, but has been unable to do so because of Bangladesh's slow economic recovery.

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